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## BUSINESS

# IKEA to Slash Thousands of Jobs in Restructuring

Swedish furniture giant is grappling with changing shopper behavior



Shoppers enter an IKEA store in central London. The retailer says it wants to open more stores in city centers.

PHOTO: SIMON DAWSON/BLOOMBERG NEWS

By *Saabira Chaudhuri*

Nov. 21, 2018 12:35 p.m. ET

IKEA, in its most dramatic restructuring ever, is slashing thousands of jobs and creating new ones as the furniture giant scrambles to cope with fast-changing shopper behavior that has hammered brick-and mortar retailers globally.

The Swedish flat-pack giant on Wednesday said it would cut 7,500 jobs mainly focused on office-based work like communications, human resources and administrative functions. At the same time, it plans to open 30 new stores in city centers, and invest in delivery and digital, creating 11,500 new jobs over the next two years. IKEA employs about 160,000 staff.

“The retail landscape is transforming at a scale and pace we’ve never seen before,” said Chief Executive Jesper Brodin.

The restructuring is a rare event for IKEA, which has so far appeared largely immune from the troubles that have hurt big department stores and shopping malls. The last time it cut a large number of jobs was during the financial crisis.

Retailers selling clothing, homeware, digital appliances, toys and even food have struggled to make up for few visitors to their stores as customers increasingly prefer the bargains and convenience of shopping online. Once indomitable retailers like Sears and Toys “R” Us have been felled by the shift.

Tolga Öncü, IKEA’s head of retail, said in an interview that the job cuts would cut red tape and speed up decision making. He said the new jobs would be focused on enhancing IKEA’s online and delivery offerings as well as the in-store experience.

“So far as we can recall we haven’t had this before,” he said of the restructuring. “We do it because we want to secure IKEA for the future.”

Mr. Öncü said growth in the number of customers visiting its existing stores has stalled, prompting IKEA to change how they look.

The company’s research has shown that 80% of customers research their planned purchases online before visiting a store. In response, IKEA is cutting the number of products it displays, freeing up space for more mocked up living rooms and bedrooms. Mr. Öncü hopes the change will motivate more customers to visit stores.

IKEA plans to open its biggest city-center store to date in Paris in the spring at 5000 square meters. It also intends to open a city-center store in New York. If New Yorkers take to the concept, IKEA plans roll out similar stores in cities such as Washington, D.C., Los Angeles and San Francisco, Mr. Öncü said.

Founded in 1943, IKEA initially sold pens, wallets, table runners, watches and nylon stockings. Over the years, it evolved into the world’s largest furniture retailer, selling sleek Scandinavian designs relatively inexpensively and in easy to transport flat packs.

The company has for decades followed a successful model of opening sprawling, out-of-town stores that act as showrooms, storage depots and restaurants. IKEA opened its first 72,000-square-foot store in 1958 in the Swedish village of Älmhult, discovering that people were prepared to travel long distances to visit the shop.

More recently, the company has said that 70% of the world’s population will live in cities by 2050, forcing it to rethink its decades-old strategy. IKEA has tried to make its furniture accessible to more people, opening centrally located stores and click-and-collect sites, improving delivery and rolling out websites in more countries. Last year it bought online marketplace TaskRabbit to make it easier for customers to assemble its shelves, sofas and beds. It has also said it would test selling its furniture on third-party websites.

“We see of course that the world around us is changing and we want to be part of that,” said Mr. Öncü.

Last month, IKEA reported its retail sales for the financial year of €34.8 billion (\$39.69 billion), up just slightly from the €34.1 billion it reported the prior year.

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